



OFFICE OF
CHIEF COUNSEL

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

May 30, 2001

Number: **INFO 2001-0153**

Release Date: 6/29/2001

UIL: 3111.00-00

COR-124516-01

The Honorable Gary A. Condit
Member, U.S. House of Representatives
920 16th Street, Suite C
Modesto, CA 95354

Attention: Ruth Daleth

Dear Congressman Condit:

This letter is in response to your correspondence dated April 20, 2001, forwarding [REDACTED] concern about Medicare tax and his social security benefits. I hope the following general information is helpful.

Federal Insurance Contributions Act (FICA) taxes provide a Federal system of old-age, survivors, disability, and hospital insurance. The hospital insurance (HI) portion of FICA imposed under sections 3101(b) and 3111(b) of the Internal Revenue Code, commonly referred to as "Medicare" tax, is 1.45%. The HI tax is a percentage of "wages" paid by an employer and received by an employee for "employment." Medicare tax has no maximum wage limit which means all wages are subject to the tax.

All wages an individual earns are subject to Medicare tax and the tax is properly withheld from an employee's earnings even if the individual receives social security benefits. The taxability of an individual's wages is not affected when he or she receives social security benefits. Therefore, any wages [REDACTED] earns are subject to Medicare tax whether or not he receives social security benefits.

Medicare consists of two parts:

1. Hospital insurance (Part A) - Generally, it is paid by the HI tax an individual pays during years of employment. The individual usually pays no additional costs when requesting this coverage; and

2. Medical insurance (Part B) - It is not paid for by the 1.45 % HI tax. If the individual elects coverage, he or she must pay a premium. If the individual elects to receive the medical insurance, the premium may be deducted from social security benefits received by the individual.

The amount deducted from [REDACTED] social security benefits may be the premium he is paying for the medical insurance portion of Medicare. However, we do not have enough information to be certain. The Social Security Administration handles this matter. It should confirm if the premium deductions are for medical insurance. If they confirm this, [REDACTED] did not pay the HI tax twice.

The Social Security Administration's toll free number is 1-800-772-1213. The mailing address is:

Social Security Administration
Office of Public Inquiries
6401 Security Blvd.
Room 4-C-5 Annex
Baltimore, MD 21235-6401

We will make this letter available for public inspection after we delete identifying information, including names and addresses, under the Freedom of Information Act.

I hope this information is helpful. If you need further assistance, please contact me or Kyle Orsini of my staff at (202) 622-6040.

Sincerely,

Michael A. Swim
Chief, Employment Tax Branch 1
Office of Division Counsel /
Associate Chief Counsel
(Tax Exempt and Government Entities)